



U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

All Secretary's Representatives
All State/Area Coordinators
All Regional Directors for CPD
All CPD Division Directors
All HOME Coordinators
All HOME Participating Jurisdictions

Notice: CPD 97-03

Issued: March 27, 1997
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Cross Reference:

SUBJECT: HOME Program Match Guidance

I. Purpose

The purpose of this notice is to provide guidance to HOME Participating Jurisdictions (PJs) in identifying eligible sources of matching contributions, calculating the value of matching contributions, determining the point at which a contribution may be recognized as match, and tracking matching obligations and contributions.

II. Legislative and Regulatory History

Section 220 of the Cranston-Gonzalez National Affordable Housing Act (NAHA) established the requirement that each HOME PJ make contributions to its HOME-assisted projects equal to a percentage of the HOME funds drawn down during each fiscal year. Initially, the percentage of the match obligation applied to each draw down of HOME funds varied according to the type of activity that the PJ was undertaking (i.e., new construction, moderate rehabilitation, substantial rehabilitation, acquisition or tenant-based rental assistance). Amendments to NAHA made in the Housing and Community Development Act of 1992 (HCDA) and the Multifamily Housing Property Disposition Reform Act of 1994 eliminated these variations and resulted in a standard 25 percent

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match requirement for all HOME-eligible activities. Because the matching contributions for Federal fiscal year 1994 must have been made by the end of the fiscal year, HUD applied the standard 25% match to all match liability incurred during fiscal year 1994.

The HUD's Fiscal Year 1992 Appropriation Act waived the matching requirements for FY 1992 HOME funds. Consequently, PJs did not incur match obligation until they drew down FY 1993 HOME funds.

NAHA established a list of eligible forms of matching contributions. However, the HCDA of 1992 added additional forms of eligible match. Perhaps most significantly, this law amended NAHA to permit certain contributions to housing that is not assisted with HOME funds, but which meets the HOME Program qualifications for affordable housing, to be counted toward a PJ's HOME match obligation. These legislative changes were implemented by an interim regulation published on April 19, 1994 and were effective May 19, 1994.

On September 16, 1996, the Department published a final rule for the HOME program. This rule added sweat equity, homeownership counseling, supportive services and donation of rental construction and site preparation equipment as eligible forms of match.

III. Applicability of the Matching Requirements

By establishing the HOME Program, Congress intended to establish a partnership between the federal government and States, units of local government and nonprofit organizations to expand the supply of affordable, standard housing for low-income families. In keeping with the concept of partnership, each jurisdiction participating in the HOME Program is required to make contributions to qualified housing in an amount equal to 25 percent of appropriated HOME funds drawn down for housing projects. These contributions are referred to as "match."

A PJ incurs match obligation during each Federal fiscal year based on the amount of HOME funds drawn down from its U.S. Treasury account. In each fiscal year, a PJ must make eligible matching contributions in an amount that equals the match obligation incurred during that fiscal year. Matching contributions made in excess of match obligation may be carried forward as match credit toward meeting obligations incurred in future years.

Although PJs do not incur match obligation by expending FY 1992 HOME funds, they may count eligible contributions made to HOME-assisted projects that were committed in the HOME Cash and Management Information System (C/MI) on or after October 1, 1992 as match credit. Contributions made to HOME match-eligible projects after May 19, 1994 count as match. To be considered eligible match, these contributions must meet the requirements outlined in Section IV, B of this notice.

The HOME match requirements apply to:

- ◆ HOME funds drawn from the U.S. Treasury for project costs eligible under 24 CFR 92.206, including related soft costs that are incurred to carry out the project and are charged to the project, and for tenant-based rental assistance under 24 CFR 92.209.
- ◆ State HOME funds provided to a local PJ to make up the shortfall between its initial HOME allocation and the formula threshold amount.

The HOME matching requirements do not apply to:

- ◆ Fiscal Year 1992 HOME funds
- ◆ HOME administrative funds (24 CFR 92.207)
- ◆ CHDO operating expenses (24 CFR 92.208)
- ◆ CHDO capacity building funds (24 CFR 92.208)
- ◆ CHDO site control, technical assistance and seed money loans for projects that do not go forward (24 CFR 92.301)
- ◆ Amounts provided from sources other than State HOME funds to make up the shortfall between a local PJ's allocation and the threshold amount (24 CFR 92.102(b))

IV. Recognition of Matching Contributions in HOME-Assisted Projects and Non-Assisted Affordable Housing as Match

To be counted as match, a contribution must be made to housing that qualifies as affordable under Section 215 of NAHA. Such housing may be either:

- A) housing that is assisted with HOME funds; or
- B) housing that is not HOME-assisted but meets the HOME affordability requirements (hereafter referred to as HOME match-eligible housing).

A. Contributions to HOME-Assisted Projects

Contributions to HOME-assisted housing and tenants can be counted as match under the following circumstances: is recognized as a matching contribution if:

- ◆ *Tenants* -- Contributions to tenants who are assisted with HOME funds can be counted as match. An example of such a contribution is nonfederal funds added by a PJ in a HOME-funded tenant-based rental assistance program or, in certain instances, a State-funded tenant-based rental assistance program. (This does not include a PJ's expenditures for administering a federally or nonfederally funded tenant-based rental assistance program.)
- ◆ *HOME-Assisted Units* -- Nonfederal contributions made to HOME-assisted units can be counted as match.
- ◆ *Partially HOME-Assisted Projects* -- If more than 50 percent of the units in a project are HOME-assisted, then the PJ's contribution to the non-assisted units may be counted as match. If the match contribution is made to the portion of the project that is not HOME-assisted but those units meet the HOME affordability requirements, then the percentage requirement for HOME-assisted units does not apply. (See Appendix A for examples illustrating this principle).
- ◆ *Mixed-Use Projects* -- If at least 51 percent of the floor space in a HOME-assisted, mixed-use building is residential and at least 50% of the residential dwelling units are HOME assisted, then the PJ's contribution to the commercial space and the non-assisted units may be counted as match. (See Appendix A for examples illustrating this principle).

B. Contributions to HOME Match-Eligible Housing

The HCDA of 1992 amended the HOME statute to permit contributions to housing that is not assisted with HOME funds, but which would qualify as affordable under the HOME Program, to be counted as matching contributions. The HOME final rule permits nonfederal contributions to both housing units and tenant-based rental assistance to be counted as match. (Contributions to nonaffordable units or to commercial space in HOME-match eligible projects are not an eligible match.) Section 92.219(b) lists the HOME requirements that the housing or rental assistance must meet if contributions are to be eligible match.

The table below summarizes these requirements.

Table 1: HOME Program Requirements Applicable to Affordable Housing Counted as Match		
Rental Housing	Income determinations	§ 92.203
	Property standards	§ 92.251
	HOME rents	§ 92.252
	Project occupancy requirements	§ 92.252
	Periods of affordability	§ 92.252(e)
	Tenant protections	§ 92.253(a) & (b)
Tenant-Based Rental Assistance	Income determinations	§ 92.203
	Tenant-based rental assistance	§ 92.209(a),(c),(f), (g) & (i)
Owner-occupied Rehabilitation	Income determinations	§ 92.203
	Property standards	§ 92.251
	After rehabilitation value limit	§ 92.254(b) & (c)
	Project occupancy requirements	§ 92.254(b) & (c)
Homebuyer Assistance	Income determinations	§ 92.203
	Property standards	§ 92.251
	Single-family housing limitation	§ 92.254(a)(1)
	Purchase-price limitation	§ 92.254(a)(2)
	Project occupancy requirements	§ 92.254(a)(3)
	Period of affordability	§ 92.254(a)(4)
	Resale/recapture provisions	§ 92.254(a)(5)

The PJ is required to execute a written agreement with the owner of the housing (or, if the PJ owns the housing, with the manager or developer) that enumerates and imposes the applicable requirements. The PJ must establish procedures to monitor these HOME match-eligible projects to ensure continued compliance with the requirements of §§ 92. 203 (income determinations),

92.252 (rental), 92.253(a) and (b) (tenant protections) and 92.254 (ownership) throughout the period of affordability. Property standards and property value limitations apply only at initial occupancy.

A PJ may find that an affordable housing project proposed as match does not exactly match all of the regulatory requirements referenced above. A PJ may obtain a waiver of certain requirements for which some statutory flexibility exists and for which it can demonstrate good cause. Specifically, a PJ may request a waiver to substitute another property standard for the standard that it has elected under the provisions of § 92.251 or to use method of determining income other than that it has elected under § 92.203. For instance, a PJ may wish to count its contributions to a State-run housing program as match. If that housing program uses a different income definition than is permissible under the HOME Program, the PJ could request a waiver to permit it to use that definition for match purposes. PJs also may propose periods of affordability other than those outlined in the regulation, provided that the proposed periods meet the statutory requirement that the property remain affordable under legally binding agreements "for the remaining useful life of the property . . . or for such other period that the Secretary determines is the longest feasible period of time consistent with sound economics" Requests for waivers of any of these three provisions should be forwarded to the appropriate HUD Field Office for evaluation.

V. Eligible Forms of Match

To be considered eligible as match, a contribution must be made from *nonfederal sources* and must be a *permanent contribution* to a HOME project or to HOME match-eligible housing. Eligible forms of match are established in NAHA and are limited to those forms outlined in 24 CFR 92.220. A table listing the eligible forms of match and indicating whether they must be made to HOME-assisted or HOME match-eligible housing is attached as Appendix B

Eligible forms of match are:

A. Cash Contributions

Cash contributions must be made from nonfederal sources and be permanently contributed to the HOME project or to the HOME match-eligible housing. Cash contributions may include donations made by individuals (except for owners or developers or prospective owners or developers of HOME projects), private entities, the PJ or other public entities for the express purpose of providing affordable housing.

Cash contributions may include, but are not limited to:

- ◆ State appropriations
- ◆ State or local general revenues
- ◆ Housing trust funds
- ◆ Foundation grants and private donations
- ◆ Housing finance agency reserves that are not federal funds
- ◆ Program income from a Housing Development Action Grant (HODAG) or Urban Development Action Grant (UDAG) after grant closeout
- ◆ Program income from Rental Rehabilitation Program (RRP) grants after program closeout (i.e., closeout of all program year grants)
- ◆ Below-market interest rate loans from private lending institutions

Because owner equity is not an eligible form of match, the investment in a project of a nonprofit organization's general funds will not count as match. However, funds that a nonprofit organization obtains from individuals or other entities through fundraising for a specific project are considered private donations and, thus, are eligible as match.

The PJ must document the source, form and value of the cash contribution. For loans that will be counted as match, the documentation should include the calculation used to determine the value of the match contribution. To qualify as match, a cash contribution may be used only for costs eligible under §§ 92.206 or 92.209 or for the costs outlined in Section VII of this notice (page 20).

Cash contributions may be provided in the form of grants, deferred payment loans or amortizing loans to a HOME project or program beneficiary. The match value of such donations depends upon the form of the contribution and the disposition of any repayment of principal or interest.

1. Grants and Forgivable Deferred Payment Loans. If a PJ makes a grant or forgivable, deferred payment loan to a HOME-assisted or HOME match-eligible project that will be counted as match, the amount of the match contribution is the *full face value of the grant or forgivable deferred payment loan*.

Example: A PJ makes a \$15,000, no-interest rehabilitation loan to a low-income homeowner with local funds. The loan is nonamortizing (deferred) and will be forgiven at the end of 10 years, if the homeowner still occupies the unit. If the homeowner sells the property at any time during the 10-year term of the loan, the entire loan amount must be repaid. The property is used as a principal residence and will meet HOME property standards after rehabilitation. Thus, it is HOME-eligible. For purposes of determining the match contribution, the PJ may assume that the homeowner will continue to occupy the property for the 10-year period. The match credit for this loan is \$15,000.

2. Loans Repaid to the HOME Account. If a PJ or other entity makes a loan with nonfederal funds to a HOME-assisted or HOME match-eligible project and the loan amount is to be repaid to the local HOME account, the amount of the match contribution is the *full face value of the loan*, irrespective of the interest rate charged.

Example: A PJ makes a \$50,000 loan to a HOME-assisted project with nonfederal funds. The term of the loan is 20 years and the interest rate is 6%. The repayments will be deposited in the local HOME account rather than the PJ's general fund. The

3. Loans Repaid to Accounts Other than the HOME Account. If a PJ or other entity makes a below-market interest rate loan from nonfederal funds to a HOME-assisted or HOME match-eligible project and the proceeds of the loan will not be repaid to the HOME account, the *grant equivalent* of the below-market interest rate loan may be counted as match. The grant equivalent is the present discounted value of the yield foregone by the lender. Loans made from the proceeds of bonds not repaid with revenue from the affordable housing projects (e.g., general obligation bonds) are included in this category.
 - a) Borrowed Funds. If the PJ, public agency or corporation has borrowed funds (other than through the issuance of housing bonds repaid with revenue from the affordable housing project) to make a below-market interest rate loan, the contribution is the *present discounted value of the difference between payments to be made on the borrowed funds and payments to be received on the loan to the project*, based on a discount rate equal to the interest rate on the borrowed funds. (See Example #1, Appendix C)

- b) Non-Borrowed Funds. If the loan is made from funds other than funds borrowed by the PJ, public agency or corporation, the contribution is the *present discounted cash value of the yield foregone (i.e., the difference between payments received on the below-market interest rate loan and the payments that would have been received had the loan been made at the market interest rate)*. In determining the yield foregone, the PJ must use one of the following as the market interest rate:

Single Family (1-4 unit) housing financed with a fixed rate loan: 10-year Treasury note plus 200 basis points;

Single Family (1-4 unit) housing financed with an adjustable rate loan: 1-year Treasury bill plus 250 basis points;

All Multifamily Project (5+ units): 10-year Treasury note plus 300 basis points.

(See Examples #2 through 6, Appendix C)

- c) Special Case: Nonamortizing Loans, Due on Sale. Nonamortizing loans with principal or principal and interest due on sale of the property and no maximum term present special problems in calculating match contributions. If a loan will be repaid to the HOME account, the full face value of the loan will count as match irrespective of the loan terms. If the loan will be repaid to an account other than the HOME account, a PJ would ordinarily count the present discounted cash value of the yield foregone as its match contribution. However, in the case of a nonamortizing loan that has no set term and is due on sale, it is not possible to calculate the present value of the yield foregone because neither the term of the loan nor the yield foregone are known in advance.

To permit such loans to count toward its matching contribution, a PJ may assume that the *term of the loan is equal to the period of affordability associated with the housing units being assisted (i.e., 5, 10, 15 or 20 years)*. The calculation of the yield foregone and the present value of the yield foregone must be based upon this assumed term and calculated by the same method as other loans.

B. Foregone Taxes, Fees and Charges

PJs may count as match the value of State or local taxes, fees and other charges normally and customarily imposed or charged on all projects in the jurisdiction, if it waives, forgives or defers those charges for HOME-assisted projects. Examples of taxes, fees and charges waived by a jurisdiction that may count as match include: local property taxes, transfer taxes, state tax credits, permit fees, recordation fees and impact fees.

On July 12, 1995, the HOME regulations were amended to permit fees or charges normally and customarily imposed by public or private entities and associated with the transfer or development of real estate to be counted as match. Examples of fees or charges waived by a private or public institution that may count as match include: title insurance premiums and utility hook-up fees or surcharges. A waived developer's fee is not an eligible form of match. The waiver of charges or fees for professional services associated with the transfer or development of real estate (e.g., architectural and engineering fees or title search fees) is eligible as donated or voluntary labor rather than as a forgiven fee.

The value of foregone taxes, fees and charges may only be counted as match for HOME-assisted projects. Such charges are not an eligible form of match for affordable housing that is not HOME-assisted.

The match credit for forgiven or deferred taxes, fees or charges must be based on customary and reasonable means for establishing value. For taxes, fees or charges that are forgiven only for a single year, the match contribution is the full amount forgiven or waived. The value of taxes, fees or charges that are forgiven for future years is the present discounted cash value of the amount forgiven, based on a rate equal to rate for the U.S. Treasury security with a maturity closest to the number of years for which the taxes, fees, or charges are waived or foregone. Similarly, the value of deferred taxes or charges is the present discounted cash value of the amount deferred, based on the appropriate U.S. Treasury security rate.

Documentation of contributions in the form of forgiven taxes, fees or charges must include a letter from the entity granting forgiveness and, where appropriate, establishing the value of the contribution. (Note: For a one-time or single year contribution, the donor may establish the value. For multi-year contributions, the PJ is required to establish the value by calculating the present discounted value of the contribution).

Example: A PJ waives a \$750 annual special assessment for 5 years.
The total fee forgiven is \$3,750.
5-year T-note rate: 6.0%; assume annual compounding
Present value = \$3,694

For the purposes of estimating real estate taxes or other taxes or fees based on the value of the property, the estimate may be based on the post-improvement property value. To calculate the present discounted value of taxes, fees or charges that are forgiven in future years and require an estimate of the actual amount forgiven in future years, the PJ must document its assumptions and the basis upon which they were made. While the PJ is free to make assumptions based on its local market conditions and expectations, it should be able to demonstrate that these assumptions are reasonable.

Assessed Property Value: Years 1 & 2: \$75,000
 Year 3,4 & 5: \$79,600
 5-year T-note rate: 6.0%; assume annual compounding

	Tax Assessment	PV of Taxes Foregone
Year 1:	\$ 758	\$ 758
Year 2:	\$ 758	\$ 675
Year 3:	\$ 806	\$ 677
Year 4:	\$ 806	\$ 638
Year 5:	<u>\$ 806</u>	<u>\$ 602</u>
Total:	\$3,934	\$3350

Note: Because the amount of taxes foregone varies each year, the present value is calculated separately for each year, rather than as a single calculation. (In year 1, the present value is the full face value of the taxes foregone). In each calculation, the taxes foregone are designated as the future value (rather than as the payment amount), the interest rate is 6% and the period corresponds to the year of the tax forgiveness.

Land or other real property permanently contributed to a HOME project or to other affordable housing not assisted with HOME is an eligible match. Such contributions may be made by donating property to an affordable housing project or by selling a property demonstrably below market value for use in an affordable housing project. For instance:

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to back taxes owed.

Generally, the value of the contribution is the appraised value of the donated land or other real property, before any HOME assistance is provided, minus any debt burden, lien or other encumbrance. Property must be appraised by an independent, certified appraiser, in conformance with established and generally recognized appraisal practices and procedures in common use by professional appraisers. Opinions of value must be based upon the best available data properly analyzed and interpreted. The appraisal of land and structures must be performed by an independent, certified appraiser.

Property Acquired with Nonfederal Resources. If the property is donated to the HOME-assisted project or HOME match-eligible project that will be counted as match, the contribution is 100% of property value, minus any debt, liens or encumbrances.

Property Acquired with Federal Resources. To qualify as match, property that was purchased with federal resources must have been acquired *specifically* for HOME-assisted housing or other affordable housing that will be counted as match. The amount of the match contribution will be the difference between the appraised value of the property at acquisition and the acquisition cost, minus any debt, liens or encumbrances.

- 1). If a property is acquired by the owner of the HOME-assisted or HOME match-eligible project, the amount of the contribution is the *difference between the appraised value at the time of acquisition with federal assistance and the acquisition cost.*

Example: A nonprofit organization purchases a property with HOME funds for \$55,000. The appraised value of the property is \$75,000 and the seller acknowledges the discounted sales price as a donation to affordable housing. The PJ may count the \$20,000 difference between the sales price and the appraised value as match.

Example: A public housing authority purchases a property appraised for \$75,000. The sales price is \$55,000. The seller acknowledges the discounted sales price as a donation to affordable housing. The PHA uses \$30,000 of its (nonfederal) funds and \$25,000 of HOME funds. The match contribution is \$50,000 (the difference between the sales price and the appraised value (\$20,000) plus the contribution of public funds \$30,000)).

- 2). If the property is acquired with federal assistance by an entity which donates the property to the owner of the HOME-assisted or HOME match-eligible project, the match contribution is the *difference between the appraised value and the acquisition cost.*

Example: A tract of vacant land has an appraised value of \$100,000. A PJ purchases the property for \$75,000 with CDBG funds and donates the property for use in a HOME-assisted project. The seller acknowledges in writing that the \$25,000 discount on the property's purchase price is a donation to affordable housing. The match contribution is \$25,000.

Example: A PJ purchases vacant land that is appraised for \$100,000 at a sales price of \$75,000 and donates the land to a CHDO. The seller acknowledges the discounted sales price as a donation to affordable housing. The PJ uses \$30,000 in local funds and \$45,000 in HOME funds. The match is \$55,000 (\$30,000 PJ cash donation and \$25,000 donation by the seller).

3). Similarly, if the property is acquired with federal assistance by an entity which sells the property to the HOME-assisted or HOME match-eligible project owner at a price equal to or less than the amount of federal assistance used for the acquisition, the contribution is *the difference between the sales price paid by the entity using the federal assistance and the appraised value at the time of acquisition by the entity.*

Example: A PJ uses HOME funds to purchase a property with an appraised value of \$100,000 for a sales price of \$90,000. The seller acknowledges that the discounted price is a donation to affordable housing. The PJ sells the property to a CHDO for \$60,000. The match contribution is \$10,000.

Example: A PJ uses HOME funds to purchase a property with an appraised value of \$100,000 for a sales price of \$90,000. The seller acknowledges that the discounted price is a donation to affordable housing. The PJ sells the property to a CHDO for \$90,000. The match contribution is \$10,000.

To be recognized as match, the acquisition cost paid with the federal assistance must be demonstrably below the appraised value and must be acknowledged in writing by the seller as a donation to affordable housing at the time of the acquisition with the federal assistance. This requirement distinguishes between a true contribution to affordable housing and a "good buy" obtained in the open market using federal assistance.

D. On-site and Off-site Infrastructure

The cost of on-site and off-site infrastructure is an eligible match, provided that the cost was not paid with federal resources and the PJ documents that the infrastructure is directly required for a HOME-assisted project. Examples of infrastructure directly required for a HOME-assisted project include: streets, sidewalks, and streetlights located on or immediately adjacent to the project site, and utility lines and connections serving the project. Infrastructure that does not directly facilitate the occupancy of a HOME project such as neighborhood parks or bridges are not eligible matching contributions. Infrastructure that serves both HOME-assisted and non-assisted housing may be counted on a pro rata basis. The PJ must document the cost of the infrastructure and the value of the match contribution based upon the number of HOME-assisted units it serves.

The infrastructure need not have been specifically identified as serving a HOME-assisted project at the time that it was installed. However, to count as match, the infrastructure investment must have been completed no earlier than 12 months before HOME funds were committed to a HOME-assisted project.

Example: A PJ installs sidewalks and a street that will serve 20 houses using non-Federal funds. Ten of the houses are HOME-assisted units. The PJ may count 50% of the cost of installing the infrastructure toward its matching liability.

Example: A PJ installs sidewalks and a street to serve a HOME-assisted multifamily rental project. Sixty-percent of the units in the building are HOME-assisted. The PJ may count 60% of the cost of installing the infrastructure toward its matching contribution.

The cost of on-site or off-site infrastructure is eligible match only if the infrastructure is directly related to a HOME-assisted project. The cost of infrastructure related to affordable housing that is not HOME-assisted is not an eligible form of match.

E. Proceeds from Affordable Housing Bonds

The HCDA of 1992 amended the HOME statute to establish a separate match category for the proceeds of bonds issued by a State, local government, or agency, instrumentality, or political subdivision of a State for multi-family or single family affordable housing and repayable with revenues from the housing project (e.g., mortgage revenue bonds). To be eligible as match, the bond proceeds must be loaned or granted to a HOME-assisted or HOME match-eligible project.

The HCDA of 1992 limited the amount of match credit a PJ may earn through the loans made from affordable housing bond proceeds. Loans made to a HOME-assisted or HOME match-eligible project from the proceeds of affordable housing bonds, which *will not be repaid to the local HOME account*, may count as match as follows:

Single-family (1-4 units): 25% of the face value of each loan made for HOME-assisted or HOME match-eligible housing, credited as match at the time of loan closing.

Multifamily (5+ units): 50% of the face value of each loan made for HOME-assisted or HOME match-eligible housing, credited as match at the time of loan closing.

Total match credit from loans made from affordable housing bond proceeds may not constitute more than 25% of a PJ's total annual contribution toward its match obligation. Match credit from loans made in excess of 25% of a PJ's total annual match obligation may be carried over to subsequent fiscal years and applied to the following year's 25% annual contribution.

The PJ must maintain documentation that establishes the eligibility as match and match value of loans made with the proceeds of affordable housing bonds. This documentation should include the PJ's calculation of the value of the loan.

Proceeds of bonds that are not repaid with revenue from the affordable housing projects (e.g., general obligation bonds) and that are loaned or granted to a HOME-assisted or HOME match-eligible project constitute a cash contribution under §92.220(a)(1). Such contributions are subject to the same rules and calculated in the same manner as other cash contributions. (See Cash Contributions, Borrowed Funds, page 8 and Example 1, Appendix C). There is no limit on the total amount of match credit a PJ may earn by making such loans.

F. Donated Site Preparation and Construction Materials

The HCDA of 1992 amended the HOME statute to make donated site preparation and construction materials eligible forms of match. PJs may count the value of site-preparation and construction materials donated to HOME-assisted projects or HOME match-eligible housing, provided that the materials were not acquired with federal resources. The PJ must determine the value of the site-preparation and construction materials in accordance with its cost estimate procedures and must document the determination.

G. Donated Use of Site Preparation and Construction Equipment

The PJ may count the reasonable value of the use of site preparation and construction equipment donated to HOME-assisted and HOME match-eligible housing. The PJ may count the full value of the contribution (i.e., the rental rate multiplied by the number of hours for which the equipment is donated). Documentation of this contribution must include a letter from the owner of the equipment acknowledging the donation of a certain number of hours of use and establishing the usual hourly or daily rate for rental of the equipment.

H. Donated or Voluntary Labor and Professional Services

The HCDA of 1992 amended the HOME statute to make donated or voluntary labor an eligible form of match. PJs may count the value of any donated or voluntary labor, including professional services, in connection with a HOME-assisted project or HOME match-eligible housing.

- ◆ A single rate will be applicable for determining the value of any unskilled donated or voluntary labor. The current rate established by HUD is \$10.
- ◆ The value of skilled labor or professional services shall be determined by the rate that the individual or entity performing the labor or service normally charges. Documentation of this contribution must include a letter from the individual or entity establishing the usual periodic rate or flat fee for the labor or services and stating the value of the labor or services provided.

I. Sweat Equity

The HOME final rule added sweat equity to the list of eligible forms of match. PJs may count the value of sweat equity provided to a HOME-assisted or HOME match-eligible homeownership project as match. The labor must be contributed under an established sweat equity component of the PJ's program. Only sweat equity contributed up until the point of project completion (e.g., for a HOME-assisted project, submission of a Cash and Management Information System project completion form or entry of completion data in the Integrated Data and Information System) may be counted. The value of sweat equity shall be computed using the rate established by HUD for unskilled labor.

J. Supportive Services

The HOME final rule made the direct cost of supportive services provided to families residing in HOME-assisted units during the period of affordability or to recipients of HOME-funded tenant-based rental assistance during the term of the tenant-based rental assistance contract an eligible form of match. The supportive services must be necessary to facilitate independent living or be required as part of a self-sufficiency program. Examples of eligible supportive services include: case management, mental health services, assistance with the tasks of daily living, substance abuse treatment and counseling, day care, and job training and counseling. The PJ may only count the cost of supportive services provided to families residing in HOME-assisted units or receiving HOME tenant-based rental assistance as match.

The cost of supportive services provided to families residing in non-assisted units in HOME projects or in HOME match-eligible projects or recipients of tenant-based rental assistance funded by a source other than HOME is not an eligible match.

The direct costs that may be counted as match are limited to salary costs (including benefits) directly attributable to the provision of the supportive services to residents of HOME units and the cost of materials directly related to the provision of these services (e.g., food, medical supplies). The actual cost of providing these services must be supported by invoices, time cards or similar documents. For match purposes, the provider's overhead costs (e.g., rent, office equipment and supplies, etc.) are not considered direct costs of the supportive service.

K. Homebuyer Counseling Services

The HOME final rule made the direct cost of certain homebuyer counseling services an eligible form of match. To count as match, the homebuyer counseling services must have been provided to families that acquire properties with HOME funds under the provisions of § 92.254(a). Ongoing counseling provided to such families during the period of affordability as well as pre-purchase counseling are eligible.

These services may be provided as part of a homebuyer counseling program that is not specific to the HOME Program, but only the cost of services provided to families that complete purchases with HOME assistance may be counted as match. Similarly, for a homebuyer counseling program that is limited to the HOME Program, only the value of services provided to families that complete the purchase with HOME assistance can be counted as match. (If the homebuyer counseling program is limited to the HOME Program, the PJ may charge the cost of services provided to families who do not complete purchases to the HOME Program as an administrative cost under § 92.207(b).

The direct costs that may be counted as match are limited to salary costs (including benefits) directly attributable to the provision of homebuyer counseling services to families that acquire properties with HOME funds and the cost of any materials directly related to the provision of these services (e.g., pamphlets, tool kits for new homeowners, etc.). The actual cost of providing these services must be supported by invoices, time cards or similar documents. For match purposes, the provider's overhead costs (e.g., rent, office equipment and supplies, etc.) are not considered direct costs of the homebuyer counseling service.

VI. Ineligible Forms of Match

The following are *not* eligible match contributions:

- ◆ Contributions made with or derived from federal resources or funds, regardless of when the federal resources or funds were received or expended. The HOME statute prohibits the use of CDBG funds for HOME match.
- ◆ The interest rate subsidy attributable to the federal tax-exemption on financing (e.g., bonds issued by States or local governments) or the value attributable to federal tax credits (e.g., Low Income Housing Tax Credits).
- ◆ Owner equity or investment in the project, except for sweat equity. This is not a permanent contribution to the affordable housing project, but rather value contributed by and accruing to the owner.
- ◆ Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for, assistance under the HOME Program. (This provision does not prohibit contractors who do not own any HOME project from contributing professional services in accordance with § 92.220(a)(8) or prohibit persons from contributing sweat equity in accordance with § 92.220(a)(9).)
- ◆ A PJ's cost of administering HOME-assisted or HOME match-eligible affordable housing projects or rental assistance.
- ◆ Contributions counted as a matching contribution toward any other federally-funded program may not also be counted as a matching contribution for the HOME Program.

The above are specifically prohibited in the HOME final rule. Other forms of contributions that do not meet the requirements of 24 CFR 92.220 also are ineligible.

VII. Eligible Matching Contributions that are Ineligible HOME Costs

Nonfederal cash match contributions to HOME-assisted or HOME match-eligible projects may be expended for activities that are eligible costs under 24 CFR 92.206 (eligible project costs), as well as for the following which are not eligible HOME costs.

- ◆ Project-based rental assistance
- ◆ Capitalization of or payments to a project reserve account for replacements or increases in operating costs for rehabilitation or new construction projects beyond 18 months. (Capitalization of an initial operating reserve for an 18-month rent-up period is an eligible HOME cost).
- ◆ Operating subsidies
- ◆ For HOME-assisted projects, the costs associated with the non-affordable units in a building in which more than 50% of the units are HOME-assisted.
- ◆ For HOME-assisted projects, the costs associated with the commercial portion of a mixed-use building in which at least 51% of the floor space is residential.
- ◆ For elder cottage housing opportunity (ECHO) units, the cost of removing and relocating a unit to accommodate an eligible tenant.

VIII. Timing of Match Credit

Match contributions are credited at the time that the contribution is made. Specifically:

- ◆ A cash contribution is credited when the funds are expended.
- ◆ The grant equivalent of a below-market interest rate loan is credited at the time of the loan closing.
- ◆ The value of state or local taxes, fees, or other charges that are normally or customarily imposed but are waived, foregone, or deferred is credited at the time the state or local government or public or private entity officially waives, forgoes, or defers the taxes, fees, or other charges and notifies the project owner.
- ◆ The value of donated land or other real property is credited at the time ownership of the property is transferred.
- ◆ The cost of investment in infrastructure directly required for a HOME-assisted project is credited at the time funds are expended for the infrastructure or at the time the HOME funds are committed to the HOME-assisted project if the infrastructure was completed before commitment of the HOME funds.
- ◆ The value of donated materials is credited as match at the time it is used for affordable housing.
- ◆ The value of the donated use of site preparation or construction equipment is credited as match at the time the equipment is used for affordable housing.
- ◆ The value of donated or voluntary labor or professional services is credited at the time the work is performed.
- ◆ A loan made with the proceeds of affordable housing bonds is credited at the time of the loan closing.
- ◆ The direct cost of social services provided to residents of HOME-assisted units is credited at the time that the social services are provided during the period of affordability. (NOTE: For administrative simplicity, PJs should consider establishing a process by which the value of these services is calculated and credited at regular intervals, e.g., quarterly).

- ◆ The direct cost of homebuyer counseling services provided to families that purchase HOME-assisted units is credited at the time that the homebuyer purchases the unit or, for post-purchase counseling, at the time the counseling services are provided.

Match obligation is incurred and match contributions are credited on a federal fiscal year basis, rather than on a program year basis. In each fiscal year, a PJ must make eligible match contributions in an amount at least equal to the match obligation incurred through the expenditure of HOME funds. Contributions made within a fiscal year in excess of a PJ's match obligation are carried forward and applied as credit toward its next fiscal year's match obligation. Match credit from loans made from the proceeds of affordable housing bonds in excess of the statutory 25% limit on the amount of credit from this source that may be applied toward match in each fiscal year also may be carried over to subsequent fiscal years.

IX. Distribution of Match Credit

Generally, the PJ that makes a match contribution to a HOME-assisted or HOME match-eligible project that is counted as match (including tenant-based rental assistance) is the PJ that receives the match credit. The following rules apply to special situations:

- ◆ For HOME-assisted projects involving more than one PJ, the PJ that makes the match contribution may decide to retain the match credit or permit the other PJ to claim the credit.
- ◆ For HOME match-eligible projects involving more than one PJ, the PJ that makes the match contribution receives the match credit.
- ◆ A State that provides funding to a local PJ to be used for a contribution to HOME-assisted or HOME match-eligible housing or rental assistance may take the match credit for itself or permit the local PJ to receive the match credit.
- ◆ For HOME-assisted and HOME match-eligible projects, if a jurisdiction that is not a PJ provides a match contribution to a project being undertaken by a PJ, the PJ may claim the contribution as match.

Example: A city that is a HOME PJ is undertaking new construction of a HOME-assisted project. The PJ is located in a county that charges impact fees on new construction, but will forgo them on this project. If the county is not a HOME PJ, the city receives the match credit. If, however, the county is a HOME PJ (i.e., an urban county or a member of a consortium), the county can claim the match credit or permit the City to claim the match credit.

Example: Two PJs are undertaking a jointly-funded HOME project. In addition to its HOME funds, PJ "A" contributes funds from a dedicated revenue source to the project. PJ "A" may claim the match credit or permit PJ "B" to claim the credit.

Example: A local PJ is undertaking a HOME-eligible rental project. The State allocates housing trust fund dollars to the locality for the project. The State may claim the match credit or permit the local PJ to claim the credit.

Example: A State uses its own funds for a TBRA program that meets the HOME eligibility requirements. The funds are provided to a local PJ which assists families selected from a local waiting list. The State may claim the match credit or permit the local PJ to claim the credit.

X. Match Reduction

The HOME Program statute provides for a reduction of the matching contribution requirement under the following two circumstances:

A. Fiscal distress

HUD may grant a match reduction to State and local PJs if it finds that the State or local government is in fiscal distress or severe fiscal distress. Match obligation for PJs in fiscal distress and severe fiscal distress shall be reduced by 50% and 100%, respectively, for the fiscal year in which the finding is made and the next fiscal year. The Department will publish a separate notice that explains the match reduction procedures and the criteria used to determine fiscal distress for States and local governments.

B. Presidential Declaration of Major Disaster

If a PJ is located in an area in which a declaration of major disaster pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act is made, HUD may reduce the PJ's matching requirement by up to 100% for the fiscal year in which the declaration of major disaster is made and the following fiscal year for a local PJ; for a State PJ during that same period, the matching requirement may be reduced by up to 100% with respect to any funds expended in the area to which the declaration of major disaster applies. PJs should submit requests for match reduction based on a declaration of major disaster to the local HUD Field Office.

XI. Tracking Match Obligations and Contributions

The HOME statute requires that each PJ make matching contributions throughout a federal fiscal year *based upon the amount of funds drawn from its HOME Investment Trust Fund in that fiscal year*. For planning purposes, most PJs will project anticipated match liability based on HOME commitments and expected expenditures of HOME funds. However, to ensure compliance with the statutory requirement that it make match contributions at least equal to its match obligation on a fiscal year basis, each PJ must establish a system that tracks match liability as it is incurred (based on expenditure of HOME funds) and match credit as it is made (based on the rules governing recognition of match contributions).

PJs are required to maintain a running log that demonstrates compliance with the HOME Program matching requirements. This log must identify the type and amount of each match contribution. HUD suggests that PJs develop a single match log that simultaneously tracks both liability and credit and provides other pertinent information about the housing project and/or match contribution. Appendix D illustrates the information that should be included in the log and a suggested format for presenting the necessary information. The sample log requires that separate entries be made for each drawdown of HOME funds or match contribution made within the fiscal year. The data elements contained in the sample log include: project designation number; date of project commitment; project address; project type (HOME-assisted or other affordable housing); HOME funds expended; date of HOME expenditure; amount of match liability incurred; value of match contribution; type of match; date match recognized; and any comments or explanatory information. If the PJ is using the proceeds of affordable housing bonds as match, it should develop a method of tracking the amount of match credit it earns for such loans in relation to the total match liability it incurs in the fiscal year, so that it does not exceed the 25% annual limitation on such match.

PJs should note that while compliance with the statutory matching requirements is determined on a Federal fiscal year basis, reporting on match contributions will be based on a PJ's HOME program year.

The match log will serve as a management tool for the PJ. The match log should serve as the basis for reporting match contributions as part of the Consolidated Annual Performance and Evaluation Report (which will replace the HOME Annual Performance Report).

The match log will also serve as a monitoring tool for HUD. The Department will examine the PJ's log to determine whether it has met its match requirement for the fiscal year. The PJ is also required to maintain documentation in its project files that establish that each contribution claimed: a) is eligible; b) has been made with respect to a HOME-assisted or HOME match-eligible project; and c) has been valued in accordance with the HOME interim rule and with customary and reasonable means of establishing value. The PJ's match log and project files will be subject to monitoring by the local HUD Field Office.

Appendix A: Counting Match Contributions in Partially HOME-Assisted and Mixed-Use Projects

1. A building consists of 100 units. Sixty of the units will be HOME-assisted. Because more than 50% of the units in the project will be HOME-assisted, the PJ can count its contribution to the 40 non-assisted units as match. The contribution to these 40 non-assisted can be counted as match regardless of whether the units qualify as affordable.
2. A building consists of 100 units. Forty of the units will be HOME-assisted. Because less than 50% of the units in the project are HOME-assisted, the PJ cannot count its contribution to the non-assisted units as match.
3. A building consists of 100 units. Forty of the units will be HOME-assisted. Twenty-five of the non-HOME units will be assisted under a non-Federal housing program and will qualify as affordable housing for purposes of the HOME Program (HOME match-eligible). The remaining 15 units will not qualify as affordable housing. Although less than 50% of the units in the project are HOME-assisted, the PJ can count its contribution to the 25 non-HOME units that will qualify as affordable as match.
4. The floor space of a mixed use building is 60% residential and 40% commercial. The residential portion of the building consists of 10 units that will all be assisted with HOME funds. Because at least 51% of the floor space is residential, the PJ's contribution to the commercial portion of the building can be counted as match.
5. The floor space of a mixed use building is 60% residential and 40% commercial. The residential portion of the building consists of 10 units. Six of the units will be assisted with HOME funds. The remaining 4 units will not meet the HOME affordability requirements. Because at least 51% of the floor space is residential, the PJ's contribution to the commercial portion of the building can be counted as match. In addition, because more than 50% of the residential units will be HOME-assisted, the PJ's contribution to the nonaffordable units can be counted as match.
6. The floor space of a mixed use building is 60% residential and 40% commercial. The residential portion of the building consists of 10 units. Three of the units will be assisted with HOME funds. The remaining 7 units will not meet the HOME affordability requirements. Although more than 51% of the floor space is residential, the PJ's contribution to the commercial portion of the building cannot be counted as match because less than 50% of the residential units will be HOME-assisted.

Appendix B: Eligibility of Contributions to HOME-Assisted and HOME Match-Eligible Housing

Eligibility of Contributions as Match in HOME-Assisted Housing and HOME Match-Eligible Housing		
Form of Match	HOME-Assisted Housing	HOME Match- Eligible Housing
Cash	X	X
Foregone Taxes, Fees and Other Charges	X	
Donated Land or Other Real Property	X	X
On-site and Off-site Infrastructure	X	
Proceeds from Affordable Housing Bonds	X	X
Donated Site Preparation and Construction Materials	X	X
Donated Use of Site Preparation and Construction Equipment	X	X
Donated or Voluntary Labor and Professional Services	X	X
Sweat Equity	X	X
Supportive Services	X	
Homebuyer Counseling Services	X	

Appendix C: Calculating Match Contributions

Example 1: Below-Market Interest Rate Loans For Borrowed Funds (§92.220(a)(1)(ii)(A))

Match contribution for loan made from borrowed funds (other than housing bond proceeds) = discounted present cash value of the difference between payments made and payments received, based on a discount rate equal to the interest rate on the borrowed funds.

Borrowing Terms: \$100,000 @ 8% amortizing monthly over 15 years.
Lending Terms: \$100,000 @ 5% amortizing monthly over 15 years

Calculate PJ's monthly payments @ 8%:	\$955.65
Calculate monthly payments to PJ @ 5%:	<u>\$790.79</u>
Monthly interest foregone	\$164.86

Method 1: Using Compound Interest Tables

Use the *monthly compound interest table* for the interest rate at which the PJ has borrowed funds (8%). Locate the factor at the intersection of the column for the *present value (or worth) of one per period* and the row that corresponds to the term of the loan. The factor in this example is 104.640592.

Multiply the monthly interest foregone by the present value factor:

$$\$164.86 \times 104.640592 = \$17,251.05$$

The PJ's match contribution for this loan is \$17,251.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the monthly interest foregone and touch the payment **PMT** key. Convert the interest rate to match the compounding periods (in this case, divide 8 by 12 to obtain the monthly rate); enter the interest rate and touch the **%i** key. Enter the number of compounding periods (180) and touch the **N** key. Touch the compute **CPT** key, followed by the present value **PV** key.

The figure displayed on the register (\$17,251.05) is the PJ's match contribution.

**Guide to Calculating Grant Equivalent of Below-Market Interest Rate Loans
Non-Borrowed Funds (§92.220(a)(1)(ii)(B))**

Match contribution for BMIR loan = discounted present cash value of the yield foregone

Step 1: Determining the market rate

The PJ must obtain the applicable average U.S. Treasury Note or Bill rate for the week in which the loan closed. The Federal Reserve Board makes these rates available on the following Monday afternoon in a publication entitled *Federal Reserve Weekly Statistical Release H.15*. (Subscriptions cost \$15 for 52 weeks, call 202-452-3244 for information.) These rates also are printed in the Tuesday edition of the *Wall Street Journal* and other major newspapers.

For purposes of the HOME Program, the market rate is determined as follows:

1-4 units, fixed rate loan: 10-year T-note plus 200 basis points;

1-4 units, adjustable rate loan: 1-year T-bill plus 250 points;

Multifamily projects: 10-year T-note plus 300 basis points.

100 basis points = 1 percentage point

Example: A PJ makes loan to a multifamily project that closed on March 10, 1994. The average 10 year T-note rate for that week was 6.4%.

Market rate = 6.4% + 3.0% = 9.4%

Step 2: Determining Yield Foregone

Yield Foregone = Potential Yield - Expected Yield,

*where the **potential yield** = the amount the PJ would have realized had it made that sum of money available through a market rate loan, amortized over the term of the loan and the **expected yield** = the amount that the PJ will actually realize through repayments on the BMIR loan.*

Step 3: Calculating the Present Value of the Yield Foregone

PJs must use either financial calculators or compound interest tables to determine the discounted present value of the yield foregone on a BMIR loan.

If the BMIR is an amortizing loan with monthly payments:

use the *present value (or worth) of 1 per period*
use the *monthly* compound interest table

If the BMIR is an amortizing loan with annual payments:

use the *present value (or worth) of 1 per period*
use the *annual* compound interest table

If the BMIR is a nonamortizing loan and payments of principal and/or interest will be deferred for the term of the loan:

use the *present value (or worth) of 1*
use the *annual* compound interest table

To calculate the present value of the yield foregone:

use the compound interest table for the *market interest rate* or
enter the *market interest rate* on the financial calculator.

Example 2: BMIR, principal and interest amortized monthly

Multifamily Project

Loan Terms: \$100,000 to a multifamily project @ 4% interest,
amortizing monthly over 15 year period.

Step 1: Determine the Market Rate

10-year T-note rate = 6.5%
Market rate = 6.5% + 3% = **9.5%**

Step 2: Calculate the Yield Foregone

Monthly payment @ 9.5%	=	\$1044.22
Monthly payment @ 4.0%	=	<u>\$739.68</u>
Monthly Yield Foregone	=	\$304.54

Step 3: Calculate Present Discounted Value of Yield Foregone

Method 1: Using Compound Interest Tables

Find the compound interest table for the appropriate interest rate and amortization schedule (in this case, the *monthly compound interest table* for a 9.5% rate). Locate the column for the *present value of one per period* and the row that corresponds to the term of the loan (15 years). The figure at the intersection of this column and row is the present value factor (95.764831).

Multiply the yield foregone by the present value factor:

$$\$304.54 \times 95.764831 = \$29,164.22$$

The PJ's match contribution for this loan is \$29,164.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the amount of the *yield foregone* (see Step 2, above) and touch the payment **PMT** key. Enter the number of compounding periods (in this example, 180 months) and touch the **N** key. Convert the interest rate to match the compounding periods (Divide 9.5% by 12 = .7916667 monthly percentage rate); enter the appropriate interest rate and touch the **%i** key. Next touch the compute **CPT** key followed by the present value **PV** key.

The figure displayed on the register (\$29,164.22) is the PJ's match contribution.

Example 3: BMIR, principal only amortizing monthly

Loan Terms: \$100,000 to a multifamily project @ 0% interest,
amortizing monthly over 15 year period.

Step 1: Determine the Market Rate

10-year T-note rate = 6.5%
Market rate = 6.5% + 3% = **9.5%**

Step 2: Calculate the Yield Foregone

Monthly payment @ 9.5%	=	\$1044.22
Monthly payment @ 0%	=	<u>\$ 555.55</u>
Monthly Yield Foregone	=	\$ 488.67

Step 3: Calculate Present Discounted Value of Yield Foregone

Method 1: Using Compound Interest Tables

Find the compound interest table for the appropriate interest rate and amortization schedule (in this case, the *monthly compound interest table* for a 9.5% rate). Locate the column for the *present value of one per period* and the row that corresponds to the term of the loan (15 years). The figure at the intersection of this column and row is the present value factor (95.764831).

Multiply the yield foregone by the present value factor:

$$\$488.67 \times 95.764831 = \$46,797.40$$

The PJ's match contribution for this loan is \$46,797.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the amount of the *yield foregone* (see Step 2, above) and touch the payment **PMT** key. Enter the number of compounding periods (in this example, 180 months) and touch the **N** key. Convert the interest rate to match the compounding periods (Divide 9.5% by 12 = .7916667 monthly percentage rate); enter the appropriate interest rate and touch the **%i** key. Next touch the compute **CPT** key followed by the present value **PV** key.

The figure displayed on the register (\$46,797.40) is the PJ's match contribution.

Example 4: BMIR, principal and interest amortized annually

Multifamily Project

Loan Terms: \$100,000 to a multifamily project @ 4% interest,
amortizing annually over 15 year period.

Step 1: Determine the Market Rate

10-year T-note rate = 6.5%

Market rate = 6.5% + 3% = **9.5%**

Step 2: Calculate the Yield Foregone

Annual payment @ 9.5% = \$12,774.37

Annual payment @ 4.0% = \$8994.11

Yield Foregone = **\$3780.26**

Step 3: Calculate Present Discounted Value of Yield Foregone

Method 1: Using Compound Interest Tables

Find the compound interest table for the appropriate interest rate and amortization schedule (in this case, the *annual compound interest table* for a 9.5% rate). Locate the column for the *present value of one per period* and the row that corresponds to the term of the loan (15 years). The figure at the intersection of this column and row is the present value factor (7.828175).

Multiply the yield foregone by the present value factor:

$$\$3780.26 \times 7.828175 = \$29,592.54$$

The PJ's match contribution for this loan is \$29,593.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the amount of the *yield foregone* (see Step 2, above) and touch the payment **PMT** key. Enter the number of compounding periods (in this example, 15 years) and touch the **N** key. Enter the appropriate interest rate (9.5%) and touch the **%i** key. Next touch the compute **CPT** key followed by the present value **PV** key.

The figure displayed on the register (\$29,592.54) is the PJ's match contribution.

Example 5: Deferred Payment BMIR, principal and interest due at term

Loan Terms: \$100,000 to a multifamily project @ 4% interest,
Payments deferred, balloon payment at close of year 15.

Step 1: Determine the Market Rate

10-year T-note rate = 6.5%
Market rate = 6.5% + 3% = **9.5%**

Step 2: Calculate the Yield Foregone

Potential Yield = the future value of the principal and market rate interest compounded annually over the term of the loan.

Expected Yield = the future value of the principal and actual interest compounded annually over the term of the loan.

Example of future value computation for potential yield on a Texas Instruments Business Analyst: Enter principal amount (\$100,000) and touch present value **PV** key. Enter interest rate (9.5%) and touch **%i** key. Enter compounding period (15 years) and touch the **N** key. Touch the compute **CPT** key, followed by the future value **FV** key. The result is the potential yield. Follow the same procedure for expected yield.

Potential Yield = \$390,132
Expected Yield = \$180,094
Yield Foregone = \$210,038

Step 3: Calculate Present Discounted Value of Yield Foregone

Method 1: Using Compound Interest Tables

Find the compound interest table for the appropriate interest rate and amortization schedule (in this case, the *annual compound interest table* for a 9.5% rate). Locate the column for the *present value of one* and the row that corresponds to the term of the loan (15 years). The figure at the intersection of this column and row is the present value factor (.256323).

Multiply the yield foregone by the present value factor:

$$\$210,038 \times .256323 = \$53,837.57$$

The PJ's match contribution for this loan is \$53,838.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the amount of the *yield foregone* (see Step 2, above) and touch the future value **FV**

key. Enter the annual interest rate (9.5%) and touch the **%i** key. Enter the number of compounding periods (15) and touch the **N** key. Touch the compute **CPT** key followed by the present value **PV** key.

The figure displayed on the register (\$53,837.57) is the PJ's match contribution.

Example 6: Deferred Payment BMIR, principal only due at term

Loan Terms: \$100,000 to a multifamily project @ 0 interest,
Payments deferred, balloon payment at close of year 15.

Step 1: Determine the Market Rate

10-year T-note rate = 6.5%
Market rate = 6.5% + 3% = **9.5%**

Step 2: Calculate the Yield Foregone

Potential Yield = the value of the principal and market rate interest compounded annually over the term of the loan
Expected Yield = the principal amount

Potential Yield = \$390,132
Expected Yield = \$100,000
Yield Foregone = \$290,132

Step 3: Calculate Present Discounted Value of Yield Foregone

Method 1: Using Compound Interest Tables

Find the compound interest table for the appropriate interest rate and amortization schedule (in this case, the *annual compound interest table* for a 9.5% rate). Locate the column for the *present value of one* and the row that corresponds to the term of the loan (15 years). The figure at the intersection of this column and row is the present value factor (.256323).

Multiply the yield foregone by the present value factor:

$$\$290,132 \times .256323 = \$74,367.51$$

The PJ's match contribution for this loan is \$74,368.

Method 2: Using a Financial Calculator (Texas Instruments Business Analyst)

Enter the amount of the *yield foregone* (see Step 2, above) and touch the future value **FV** key. Enter the annual interest rate (9.5%) and touch the **%i** key. Enter the number of compounding periods (15) and touch the **N** key. Touch the compute **CPT** key followed by the present value **PV** key.

The figure displayed on the register (\$74,367.61) is the PJ's match contribution.

HOME MATCH LOG FY 1994

<i>Project Number</i>	<i>Date Project Committed</i>	<i>Project Address</i>	<i>Project Type</i>	<i>HOME Funds Expended</i>	<i>Date HOME \$ Expended</i>	<i>Amount of Match Liability Incurred</i>	<i>Value of Match Contribution</i>	<i>Type of Match</i>	<i>Date Match Recognized</i>	<i>Comments</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
000019	10/2/93	20-36 Oakland Rd	H	N/A	N/A	N/A	\$24,000	Infrastructure	10/2/93	utility lines, street installed 3/93
000015	7/30/93	2253 Hillcrest Ave	H	\$20,000	10/22/93	\$5,000	\$46,540	BMIR loan	10/22/93	\$70,000 UniBank loan, HOME 2nd
0MR38	10/30/93	16 Essex Avenue	O	N/A	N/A	N/A	\$12,500	Loan, housing bond proceeds (SF)	10/30/93	Face value \$50,000
000012	6/25/93	325 Prospect St	H	\$12,000	10/30/93	\$3,000	N/A	N/A	N/A	N/A
0MR40	11/5/93	56 Courter Ave.	O	N/A	N/A	N/A	\$10,000	Loan, housing bond proceeds (SF)	11/5/93	Face value \$40,000
000005	7/5/93	8 Prospect Street	H	\$15,600	11/5/93	\$3,900	N/A	N/A	N/A	N/A
000042	11/17/93	3251 Parker Ave	O	N/A	N/A	N/A	\$100,000	Loan, housing bond proceeds (MF)	11/17/93	Face value \$200,000
000019	10/2/93	20-36 Oakland Rd	H	\$740,000	11/7/93	\$185,000	N/A	N/A	N/A	Acquisition
			Subtotal	\$787,600		\$196,900	\$193,040			
			Balance Forward	---		---	---			
			Total	\$787,600		\$196,900	\$193,040			

HOME MATCH LOG FY 1994

<i>Project Number</i>	<i>Date Project Committed</i>	<i>Project Address</i>	<i>Project Type</i>	<i>HOME Funds Expended</i>	<i>Date HOME \$ Expended</i>	<i>Amount of Match Liability Incurred</i>	<i>Value of Match Contribution</i>	<i>Type of Match</i>	<i>Date Match Recognized</i>	<i>Comments</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
000041	6/5/93	8 Prospect Street	H	N/A	N/A	N/A	\$4,200	Forgiven property tax	12/15/93	5 year forgiveness
HCD86	7/1/93	127 Crescent Rd	O	N/A	N/A	N/A	\$17,500	Donated materials & labor	12/15/93	550 hrs labor, plumb. & electr. fixtures
000012	6/25/93	325 Prospect St	H	\$16,800	12/17/93	\$4,200	N/A	N/A	N/A	none
000003	5/25/93	14 Midland Blvd	H	\$36,400	12/17/93	\$9,100	N/A	N/A	N/A	none
000026	12/1/93	1440 West End Rd	H	\$485,000	12/20/93	\$121,250	\$6,500	Waived fees	12/20/93	State transfer tax & recordation fee
000028	12/7/93	85 Montrose Rd	H	N/A	N/A	N/A	\$23,220	Donated land	1/4/94	Purchased w/CDBG below appraised value
000024	11/20/93	191 Lenox Place	H	\$12,800	1/6/94	\$3,200	N/A	N/A	N/A	Fees (A&E, credit report, cost est.)
000024	11/20/93	191 Lenox Place	H	N/A	N/A	N/A	\$56,452	BMIR loan	1/9/94	Courthouse Savings Face value \$90,000
			Subtotal	\$551,000		\$137,750	\$107,872			
			Balance Forward	\$787,600		\$196,900	\$193,040			
			Total	\$1,338,600		\$334,650	\$300,912			

Instructions:

The purpose of this log is to track HOME expenditures, match liability and match contributions on an ongoing basis. Thus, a separate entry should be made each time HOME funds are drawn down from the PJ's HOME Treasury account or a match contribution is made to a HOME-assisted or HOME-match eligible project.

- (1) Enter project designation number, including C/MI or IDIS project number for HOME projects***
- (2) Enter date of HOME commitment or legal binding agreement for other affordable housing.***
- (3) Enter project address(es)***
- (4) Enter H for HOME-assisted project or O for other affordable housing that will be counted as match.***
- (5) For HOME projects, enter the amount of HOME funds (excluding program income) drawn down for the project.***
- (6) For HOME projects, enter the date that the HOME funds were drawn down (i.e., the date that match obligation was incurred).***
- (7) For HOME projects, calculate the amount of match liability incurred for project (Column 5 multiplied by 0.25)***
- (8) Enter the amount of the match contribution being logged.***
- (9) Indicate the category of eligible match into which the contribution listed in Column 8 falls.***
- (10) Enter the date that the match contribution was recognized under the HOME rule.***
- (11) Note any descriptive or necessary information.***

Subtotal: Sum the amounts entered in columns 5 (HOME funds expended), 7 (match liability incurred) and 8 (value of match contributions) made on this sheet.

Balance Forward: Carry forward and enter the total of all entries made on previous sheets for columns 5, 7 and 8.

Total: Enter the sum of the subtotal and the balance forward for columns 5, 7 and 8.